

## **EXECUTIVE SUMMARY**

### **Highlights of Financial Operations**

The municipality generated a total income of ₱107,657,636.67 in CY 2013 which is 10.91% higher than last years' collections of ₱97,068,634.00 that is attributed to the following:

1. Increase in Local Taxes of ₱722,648.21 or 6.95% compared from last years' figures;
2. Increase in Permits and Licenses of ₱160,395.43 or 17.70% compared from last years' figures;
3. Increase in Services Income of ₱246,040.73 or 30.43% compared from last years' figures;
4. Decrease in Business Income by ₱222,273.65 or 7.53% compared to last years' figures;
5. Increase in IRA by ₱10,543,422.00 or 13.10% compared to last years' figures; and
6. Decrease in Other Income by ₱861,230.05 or 56.78% compared to last years' figures;

With regards to expenditures, the municipality disbursed a total of ₱95,848,844.14 in CY 2013 which is 14.35% higher than the total expenditures of ₱83,822,549.18 in CY 2012.

Current ratio decreased by 0.18 from 2.59:1 in CY 2012 to 2.41:1 in CY 2013.

### **Scope of Audit**

The audit covered the accounts and operations of the Municipality of Dumangas in the Province of Iloilo for the calendar year ended December 31, 2013. The audit was conducted to determine the reliability of the LGU's account in order to express an opinion on the fairness of presentation of the financial statements as well as to determine whether or not the LGU's transactions were made in accordance with existing laws, rules and regulations.

### **Auditor's Opinion on the Financial Statements**

The Auditor rendered a qualified opinion on the financial statements of the LGU. Except for the effects of any adjustments which might have been made had the Municipality conducted a physical inventory of its property, plant and equipment the financial statements present fairly the financial position of the LGU and the results of its operations and its cash flows.

## **Significant Findings and Recommendations**

1. Due from Officers and Employees amounting to ₱3,866,349.36 remain outstanding as of December 31, 2013 contrary to COA Circular Nos. 97-002, 96-004 and 2012-004 thus, exposing the funds to risk of misappropriation/misapplication.

We recommended that the Local Chief Executive and the Municipal Accountant should refrain from granting additional cash advances unless previous cash advances are first settled and proper accounting thereof are made. Demand letters should be sent to concerned officials and employees to liquidate immediately their cash advances.

We also recommended for the imposition of appropriate sanctions for the unjustified failure of the concerned officials and employees to liquidate their cash advances.

2. Physical Inventory of all properties of the Municipality totaling ₱175,175,886.63 was not conducted and reported in the prescribed Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and ledger cards thereof were not maintained contrary to Sections 120 and 124 of the Manual on the New Government Accounting System (NGAS) for Local Government Units (LGUs) Volume 1, thus correctness of the balance of Property, Plant and Equipment (PPE) accounts is not assured.

We recommended that an inventory committee be created to conduct physical inventory of all PPE and render a report thereon.

We likewise recommended that the Accounting Office and the General Services Office each maintain separate ledger cards on all PPE which should be reconciled with the Report on the Physical Count of Property, Plant and Equipment to establish correctness of the accounts.

3. Special Education Fund (SEF) Expenses totaling ₱198,754.95 were not appropriately utilized for the programs/projects/activities enumerated in Section 1 (a) to (k) of Republic Act 5447 thus, depriving the Local School Board (LSB) of funds that could have been used for activities and projects that will primarily benefit school children in the district.

We recommended that the Special Education Fund be solely and exclusively used for programs and activities embodied in RA 5447 and DECS, DBM and DILG Joint Circular No. 01-B, dated June 25, 2001 to maximize the benefits intended for the end users.

4. Notice to the public made by the LGU of Dumangas, Iloilo of all on-going government projects/programs/activities (PPA) being undertaken lack essential features/elements contrary to COA Circular No. 2013-004 dated January 30, 2013 thus, the public were not properly informed.

We recommended that the management should provide notification to the public of the PPA undertaken pursuant to the COA Circular No. 2013-004 dated January 30, 2013.

5. The financial assistance extended by the Municipality of Dumangas to various Barangays, totaling to ₱7,690,000.00 were not covered by any Memorandum of Agreement (MOA) or Contract setting-out conditions governing the use of the funds and responsibilities of the recipient-Barangays as required under Sections 3.1.1 and 3.1.3 of COA Circular No. 2012-001 dated June 14, 2012 thus, leaving no basis for monitoring of fund utilization and reporting, giving rise to the risk that such funds may not be used for their intended purpose.

We recommended that the transfer of funds to other LGUs covering the implementation of certain programs/projects of the Municipality of Dumangas must be covered by a Memorandum of Agreement (MOA) and other documentary requirements enumerated under Sections 3.1.1 and 3.1.3 of COA Circular No. 2012-001 to provide basis for monitoring the proper use of funds. Also, transfer of funds should be recorded as Due from LGUs so that liquidation from the recipient-Barangays will be required and any unutilized balance will be refunded.

We also recommended that the Municipality should be the one responsible for the implementation of the 20% development fund projects for proper utilization and monitoring and should refrain from entrusting the implementation to the Barangays.

6. Failure of the Local Government Unit (LGU) to maximize the utilization of the 20% Development Fund, contrary to the provision of Section 287 of Republic Act No. 7160 otherwise known as the Local Government Code of 1991 and Section 6 of Administrative Order (AO) No. 103 dated August 31, 2004 resulted in unimplemented projects totaling to ₱28,104,201.84 or 61.52%, thereby depriving its constituents of the benefits that could have been derived had the development projects been implemented.

We recommended that all development projects should be utilized during the year as embodied in the Annual Development Plan.

We likewise recommended that disbursements for 20% Development Fund should be in accordance with the guidelines set in DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011.

7. Disbursements under the 20% Development Fund amounting to ₱1,906,760.65 were not connected to infrastructure projects or partake the nature of investment or capital expenditures but were spent for maintenance and other operating expenses, contrary to the guidelines provided in DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011 thereby, depriving its constituents of other socio-economic development projects which they could have availed of.

We recommended that the Local Chief Executive, together with the Municipal Planning and Development Officer and Municipal Accountant observe the guidelines of DILG-DBM Joint Memorandum Circular No. 2011-1 dated April 13, 2011 in formulating projects and programs to be funded by the 20% Development Fund. The fund must be

strictly utilized according to the guidelines in order to achieve the maximum benefits for its inhabitants.

8. Failure of the Municipal Disaster Risk Reduction and Management Officer (MDRRMO) to submit a monthly Report on Sources and Utilization of Disaster Risk Reduction and Management Fund (DRRMF), contrary to the provision of COA Circular 2012-002, prevented the timely verification of the correctness and proper utilization of the Municipal Disaster Risk Reduction Fund and Management for CY 2013.

We recommended that management adhere strictly with the provision of Item 5.1.5 of COA Circular 2012-002 dated September 12, 2012 and submit regularly to the COA Audit Team of the Municipality the monthly Report on Sources and Utilization of the Municipal Disaster Risk Reduction and Management Fund on or before the 15<sup>th</sup> day after the end of each month through the Municipal Disaster Risk Reduction and Management Council and the Municipal Development Council.

9. Disbursements amounting to ₱741,078.57 were not supported with complete documents contrary to Section 4 (6) of P.D. 1445 thus, the legality/validity of the claims could not be ascertained.

We recommended that proper and complete documentation be submitted to establish validity or veracity of the claims for our evaluation.

### **Status of Implementation of Prior Year's Audit Recommendations**

Of the six (6) audit recommendations embodied in the previous year's Annual Audit report two (2) were fully implemented, one (1) partially implemented and three (3) were not implemented.